

**TOWN OF KILLIAN**

**LOUISIANA**

**JUNE 30, 2013**

**L.A. CHAMPAGNE & Co.  
LLP**

Certified Public Accountants

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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

Honorable Mayor Craig McGehee and  
Members of the Board of Aldermen  
Town of Killian, Louisiana

We have reviewed the accompanying financial statements of the governmental activities and the business-type activities, of the Town of Killian, as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the Town of Killian. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Town of Killian is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, we have issued reports dated February 1, 2014, on the results of the agreed upon procedures.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. The budgetary comparison schedule on page 24 is presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Town has not presented the required management's discussion and analysis.

*L.A. Champagne & Co. L.L.P.*

*February 1, 2014*

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF KILLIAN**  
**STATEMENT OF NET POSITION**

June 30, 2013

(See Independent Accountant's Review Report)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 20,400	\$ 20,443	\$ 40,843
Accounts receivable (net)	20,840	5,781	26,621
Internal balances	(9,664)	9,664	-
Grant receivable	2,669	-	2,669
Restricted assets:			
Cash	-	1,024	1,024
Capital assets			
Non-depreciable	49,200	-	-
Depreciable, net	67,177	629,220	696,397
Total assets	<u>150,622</u>	<u>666,132</u>	<u>767,554</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	3,965	2,525	6,490
Accrued payroll and payroll liabilities	6,977	-	6,977
Water customer deposits	-	800	800
Total current liabilities	<u>10,942</u>	<u>3,325</u>	<u>14,267</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	116,377	629,220	745,597
Unrestricted	23,303	33,587	56,890
Total net position	<u>\$ 139,680</u>	<u>\$ 662,807</u>	<u>\$ 802,487</u>

**TOWN OF KILLIAN**  
**STATEMENT OF ACTIVITIES**

Year ended June 30, 2013

(See Independent Accountant's Review Report)

	Program Revenues				Net Revenues (Expenses), and Changes in Net Positions		
	Expenses	Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
Governmental activities:							
General government	\$ 108,374	\$ -	\$ -	\$ -	\$ (108,374)	\$ -	\$ (108,374)
Public safety - police	155,872	58,136	33,604	-	(64,132)	-	(64,132)
Streets	2,615	-	-	-	(2,615)	-	(2,615)
Total governmental activities	<u>266,861</u>	<u>58,136</u>	<u>33,604</u>	<u>-</u>	<u>(175,121)</u>	<u>-</u>	<u>(175,121)</u>
Business-type activities:							
Waterworks	99,500	66,809	-	46,638	-	13,947	13,947
Total Business-type activities	<u>99,500</u>	<u>66,809</u>	<u>-</u>	<u>46,638</u>	<u>-</u>	<u>13,947</u>	<u>13,947</u>
<b>Total</b>	<u><u>\$ 366,361</u></u>	<u><u>\$ 124,945</u></u>	<u><u>\$ 33,604</u></u>	<u><u>\$ 46,638</u></u>	<u><u>\$ (175,121)</u></u>	<u><u>\$ 13,947</u></u>	<u><u>\$ (161,174)</u></u>
General revenues:							
Taxes							
Property taxes					85,579	-	85,579
Franchise taxes					72,130	-	72,130
Licenses and permits					19,720	-	19,720
Investment earnings					-	15	15
Miscellaneous					9,921	-	9,921
Total general revenues					<u>187,350</u>	<u>15</u>	<u>187,365</u>
Change in net position					12,229	13,962	26,191
Net position - beginning of year					127,451	648,845	776,296
Net position - end of year					<u>\$ 139,680</u>	<u>\$ 662,807</u>	<u>\$ 802,487</u>

See accompanying notes to the basic financial statements

**TOWN OF KILLIAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
GENERAL FUND**

*June 30, 2013*

*(See Independent Accountant's Review Report)*

**ASSETS**

Cash	\$ 20,400
Insurance premium tax receivable	6,143
Franchise tax receivable	14,697
Grant receivable	2,669
Total assets and other debits	<u>\$ 43,909</u>

**LIABILITIES**

Accounts payable	\$ 3,965
Accrued payroll and payroll liabilities	6,977
Due to Waterworks fund	9,664
Total liabilities	<u>\$ 20,606</u>

**FUND BALANCES**

Unassigned	23,303
Total liabilities and fund balance	<u>\$ 43,909</u>

**TOWN OF KILLIAN**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET POSITIONS OF GOVERNMENTAL ACTIVITIES**

*June 30, 2013*

*(See Independent Accountant's Review Report)*

Fund balance - governmental fund	\$ 23,303
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Amounts reported for governmental activities in the  
statement of net position are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the fund.

These assets consist of:

Governmental capital assets, net of depreciation	<u>116,377</u>
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Net position of governmental activities	<u><u>\$ 139,680</u></u>
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**TOWN OF KILLIAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**GENERAL FUND**

*Year ended June 30, 2013*  
*(See Independent Accountant's Review Report)*

**REVENUES**

Taxes	\$ 157,709
Licenses and permits	19,720
Intergovernmental	22,554
Fines and forfeitures	58,136
Miscellaneous	9,921
On-behalf payments	11,050
Total revenues	<u>279,090</u>

**EXPENDITURES**

Current operations:	
General government	103,944
Streets	2,615
Public safety - police	138,693
Total expenditures	<u>245,252</u>

<b>Excess of revenues over expenditures</b>	<u>33,838</u>
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Fund deficit - beginning of year	<u>(10,535)</u>
Fund balance - end of year	<u><u>\$ 23,303</u></u>

**TOWN OF KILLIAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*Year ended June 30, 2013*  
*(See Independent Accountant's Review Report)*

Net change in fund balances - total governmental funds	\$ 33,838
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	<u>(21,609)</u>
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Change in net assets of governmental activities	<u><u>\$ 12,229</u></u>
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**TOWN OF KILLIAN  
STATEMENT OF NET POSITION  
PROPRIETARY FUND**

*June 30, 2013*

*(See Independent Accountant's Review Report)*

	<i>Business-type Activity Waterworks Fund</i>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 20,443
Accounts receivable, net	5,781
Due from General Fund	9,664
Total current assets	<u>35,888</u>
 Restricted Assets	
Cash	<u>1,024</u>
 Non-current Assets	
Capital assets (net of accumulated depreciation)	<u>629,220</u>
 Total assets	<u>666,132</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>-</u>
 <b>LIABILITIES</b>	
Current Liabilities (payable from current assets)	
Accounts payable	2,525
Total current liabilities (payable from current assets)	<u>2,525</u>
 Current Liabilities (payable from restricted assets)	
Customer deposits	800
Total current liabilities (payable from restricted assets)	<u>800</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>-</u>
 <b>NET POSITIONS</b>	
Net investment in capital assets	629,220
Unrestricted	33,587
Total net positions	<u><u>\$ 662,807</u></u>

*See accompanying notes to the basic financial statements*

**TOWN OF KILLIAN**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**

*Year Ended June 30, 2013*

*(See Independent Accountant's Review Report)*

	<i>Business-type Activity Waterworks Fund</i>
<b>OPERATING REVENUES</b>	
Charges for services	
Water sales	\$ 66,809
Total operating revenues	<u>66,809</u>
<b>OPERATING EXPENSES</b>	
Contract labor	29,326
Repairs and maintenance	11,654
Chlorine	6,542
Safe drinking water fees	864
Current used in pumping	5,705
Office expense	2,118
Depreciation	38,977
Bad debt expense	4,314
Total operating expenses	<u>99,500</u>
<b>OPERATING LOSS</b>	<u>(32,691)</u>
<b>NON-OPERATING REVENUES</b>	
Interest income	15
Total non-operating revenues	<u>15</u>
<b>LOSS BEFORE CONTRIBUTIONS</b>	(32,676)
Capital contributions	
Other grants	<u>46,638</u>
<b>CHANGE IN NET POSITION</b>	13,962
<b>TOTAL NET POSITION, BEGINNING</b>	<u>648,845</u>
<b>TOTAL NET POSITION, ENDING</b>	<u><u>\$ 662,807</u></u>

*See accompanying notes to the basic financial statements*

**TOWN OF KILLIAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
*Year Ended June 30, 2013*  
*(See Independent Accountant's Review Report)*

	<i>Business-type Activity Enterprise Fund Waterworks</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 61,960
Payments to suppliers	(56,782)
Net cash provided by operating activities	<u>5,178</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances to general fund	(2,508)
Net cash used for noncapital financing activities	<u>(2,508)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from other grants	52,553
Water projects	(42,923)
Net cash provided by capital and related financing activities	<u>9,630</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	15
Net cash provided by investing activities	<u>15</u>
<b>NET INCREASE IN CASH</b>	\$ 12,315
Cash - beginning of year	9,152
Cash - ending of year	<u><u>\$ 21,467</u></u>
Classified as:	
Current assets	\$ 20,443
Restricted assets	1,024
Totals	<u><u>\$ 21,467</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (32,691)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	38,977
Changes in assets and liabilities	
Receivables, net	(535)
Accounts and other payables	(573)
Total adjustments	<u>37,869</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 5,178</u></u>

See accompanying notes to the basic financial statements

**TOWN OF KILLIAN**  
**NOTES TO FINANCIAL STATEMENTS**

*June 30, 2013*

*(See Independent Accountant's Review Report)*

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Killian, Louisiana (Town) was incorporated as a village in 1968, under the provisions of the "Lawrason Act" Louisiana Revised Statutes (R.S.) 33.321-481 of the constitution of the State of Louisiana. By Proclamation No. 67 MJF 2001, issued by the state, the village became a town on November 16, 2001. The Town is located in the Parish of Livingston with a geographic area of approximately 11.15 square miles and a population of 1,092.

The Town operates under a Board of Alderman-Mayor form of government and, as permitted under the act, provides police protection, streets and drainage maintenance, public improvements, health and social services; culture-recreation, planning and zoning; water utilities; general administration; and sponsorship of federal and state supported programs.

The Mayor and five Council Members are elected at large to serve four year terms from July 1, 2009, to June 30, 2013. The Town employs 5 full-time employees. The Town serves 290 water customers.

The accounting and reporting policies of the Town of Killian conform with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, issued in June 1999. Management has elected to not present the Management's Discussion and Analysis.

***Reporting entity***

Governmental Accounting Standards Board (GASB) Statement No 14 established criteria for determining the identification of a primary government unit for financial reporting purposes. The GASB has set forth criteria to be considered in determining which governmental entities are primary governments. An entity is a primary government if it satisfies all of the following criteria:

The entity has a separate governing body elected by the citizenry in general, popular election.

The entity is legally separate from other entities.

## **A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The entity is fiscally independent of other state and local governmental entities.

Based on the above criteria the Town has determined that the Town of Killian, Louisiana, is a primary government and financial reporting entity in accordance with GASB Statement No 14. The Town has also determined that there are no component units that should be considered part of the Town for financial reporting purposes.

### ***Government-wide and fund financial statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements.

The focus of governmental and proprietary fund financial statements is on "major" funds. Fund statements present in separate columns the General Fund, followed by major funds, if any, with non-major funds aggregated and displayed in a separate column. GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a major fund.

### ***Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available has been defined as received within 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds.

General Fund:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Fund:

Enterprise fund—accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town maintains one enterprise fund, the Waterworks Fund, which provides water services.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) Fines and charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are user fees. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and

## **A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

### ***Deposits and investments***

Cash includes cash on hand and amounts in demand deposit accounts. Cash equivalents, if any, include amounts with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. Investments, if any, are stated at fair market value.

### ***Receivables***

Receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due from water customers are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular accounts. Uncollectible amounts for property taxes are recorded as a reduction of current revenues.

### ***Short-term interfund receivable/payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

### ***Restricted assets***

Restricted assets consist of resources of the enterprise fund set aside for repayment of customer deposits.

### ***Capital assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains an informal threshold level of \$500 or more for capitalizing such assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed. As a Phase III

## A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

government under GASB Statement No 34, the Town elects not to retroactively report infrastructure assets constructed prior to June 30, 2003.

All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated lives</u>
Buildings	10 – 40 years
Water system	20 – 30 years
Equipment	10 – 30 years
Office equipment	3 – 5 years
Police vehicles	3 – 5 years
Police equipment	5 years

Maintenance, repairs, and minor equipment purchases are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, building, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

### *Compensated absences*

Employees of the Town earn from 10 to 15 days of vacation leave each year, depending on length of service. Vacation leave must be used in the year earned. Sick leave is earned at the rate of eight hours for each month worked. No employee may accumulate more than eighty hours of sick leave per year nor accumulate more than two hundred forty hours of sick leave overall. Sick leave is forfeited upon resignation, retirement, or dismissal from employment. The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken.

There are no accumulated and vested benefits relating to vacation or sick leave at June 30, 2013.

### *Long-term obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, if any, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables, if any, are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized both premiums and discounts, if any, as well as bond issuance costs, if any, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances, if any, are reported as other financing sources while discounts on debt issuances, if any, are reported as other financing uses.

## A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Restricted net assets*

For the government-wide financial statement of net position, net positions are reported as restricted when constraints place on net asset use are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributions, or laws or regulations of other governments; and
- Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted are available for use, it is the Town's policy to use restricted resource first, then unrestricted resources as they are needed.

### *Fund equity and net assets*

In the government-wide financial statements, net assets are classified in the following categories:

**Invested in Capital Assets, Net of Related Debt-** This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

**Restricted Net Assets-** This category presents the net assets restricted by external parties (creditors, grantors contributors or laws and regulations).

**Unrestricted Net Assets-** This category represents the net assets of the Town that are not restricted for any project or other purpose by third parties.

In the fund financial statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town did not have any nonspendable fund balance at June 30, 2013.

**Restricted:** This classification includes amounts in which the use of resources is constrained either by (a) external impositions by creditors, grantor, contributors, or laws or regulations of other governments or (b) imposition by law through constitutional provisions or enabling legislation. The Town did not have any restricted fund balance at June 30, 2013.

**Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action that was employed when

## **A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of year-end.

**Assigned:** This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by the Board of Aldermen who has the authority to assign amounts to be used for specific purposes. The Town did not have any assigned resources as of year-end.

**Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Town's General Fund's fund balance at June 30, 2013, is unassigned.

When fund balance resources are available for a specific purpose in multiple classifications, the Town will generally use the most restrictive funds first.

### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the report period. Actual results could differ from those estimates.

### *Interfund transactions*

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. For the purpose of the statement of activities, all interfund transfers between funds have been eliminated.

### *Elimination and reclassification*

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Ad valorem taxes*

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the Town in October and billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Livingston Parish.

The following is a summary of authorized and levied ad valorem taxes:

<u>Fund</u>	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General Fund	7.00	7.00	Indefinite

**B: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgets*

Formal budgetary accounting is employed as a management control for the General Fund of the Town. An annual operating budget is adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, and the same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis. Budgets are prepared and adopted in accordance with the Louisiana Local Government Budget Act and the Lawrason Act. Budgetary control is exercised at the fund level.

All budget appropriations lapse at the end of each fiscal year.

The original proposed budget for the General Fund was made available for public inspection on July 10, 2012. A public hearing was held at the Town's city hall on July 10, 2012. The original budget was adopted on July 10, 2012.

The General Fund budget was amended for the fiscal year ended June 30, 2013, on September 11, 2012 and again on June 11, 2013.

The Louisiana Local Government Budget Act requires a local government to amend its operating budget when the total expenditures and other uses exceed total budgeted expenditures and other uses by 5% or more.

**C: DEPOSITS AND INVESTMENTS**

At June 30, 2013, the Town had deposits and investments (book balances) totaling \$ 41,867 as follows:

**C: DEPOSITS AND INVESTMENTS (Continued)**

Petty cash	\$ 32
Interest bearing demand deposits	41,835
	<u>\$ 41,867</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2013, the Town has \$48,499 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance. The Town does not have a deposit policy for custodial credit risk.

**D: RECEIVABLES**

Receivables at June 30, 2013, consist of the following:

<u>Class of receivables</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Taxes			
Franchise	\$ 14,697	\$ -	\$ 14,697
Insurance premium	6,143	-	6,143
Accounts			
Water	-	14,872	14,872
Less: allowance for uncollectibles	-	(9,091)	(9,091)
Totals	<u>\$ 20,840</u>	<u>\$ 5,781</u>	<u>\$ 26,621</u>

An allowance account for taxes receivable is not considered necessary.

**E: AD VALOREM TAXES**

For the year ended June 30, 2013, taxes of 7.00 mills were levied on property with assessed valuations totaling \$11,020,130. Total taxes levied were \$77,141. Taxes receivable at June 30, 2013, were nil.

**F: RESTRICTED ASSETS – PROPRIETARY FUND TYPE**

Restricted assets consist of cash resources set aside for repayment of customer deposits.

## G: CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities for the fiscal year ended June 30, 2013:

<u>Governmental activities</u>	<u>Balance 06/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/13</u>
Capital assets not being depreciated				
Land	<u>\$ 49,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,200</u>
Capital assets being depreciated				
Buildings	80,453	-	-	80,453
Equipment	19,511	-	-	19,511
Police vehicles	76,937	-	-	76,937
Police equipment	60,322	-	-	60,322
Office equipment	<u>9,616</u>	<u>-</u>	<u>-</u>	<u>9,616</u>
Total capital assets being depreciated	<u>246,839</u>	<u>-</u>	<u>-</u>	<u>246,839</u>
Less accumulated depreciation				
Buildings	36,631	2,100	-	38,731
Equipment	3,093	1,951	-	5,044
Police vehicles	70,817	6,119	-	76,936
Police equipment	38,674	11,061	-	49,735
Office equipment	<u>8,838</u>	<u>378</u>	<u>-</u>	<u>9,216</u>
Total accumulated depreciation	<u>158,053</u>	<u>21,609</u>	<u>-</u>	<u>179,662</u>
Total capital assets being depreciated, net	<u>88,786</u>	<u>(21,609)</u>	<u>-</u>	<u>67,177</u>
Governmental activities capital assets, net	<u>\$ 137,986</u>	<u>\$ (21,609)</u>	<u>\$ -</u>	<u>\$ 116,377</u>

Depreciation expense of \$21,609 was charged to the governmental activities.

**G: CAPITAL ASSETS (Continued)**

The following is a summary of changes in capital assets for the business-type activity for the fiscal year ended June 30, 2013:

<u>Business type activity</u>	<u>Balance 06/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/13</u>
Capital assets being depreciated				
Water system	961,998	42,923	-	1,004,921
Machinery and equipment	22,663	-	-	22,663
Office equipment	1,058	-	-	1,058
Total capital assets being depreciated	<u>985,719</u>	<u>42,923</u>	<u>-</u>	<u>1,028,642</u>
Less accumulated depreciation				
Water system	341,572	38,362	-	379,934
Machinery and equipment	17,815	615	-	18,430
Office equipment	1,058	-	-	1,058
Total accumulated depreciation	<u>360,445</u>	<u>38,977</u>	<u>-</u>	<u>399,422</u>
Total capital assets being depreciated, net	<u>625,274</u>	<u>3,946</u>	<u>-</u>	<u>629,220</u>
Business type activities capital assets, net	<u>\$ 625,274</u>	<u>\$ 3,946</u>	<u>\$ -</u>	<u>\$ 629,220</u>

Depreciation expense of \$38,977 was charged to the business-type activity.

**H: RETIREMENT SYSTEM**

Employees of the Town are members of the social security system. Total contributions to the social security system for the year ended June 30, 2013, amounted to \$12,007 of which \$6,571 was the employer portion.

**I: INTERFUND RECEIVABLES AND PAYABLES**

Balances due to/from other funds at June 30, 2013, consist of the following

Due to the waterworks fund from the general fund to subsidize operations	<u>\$ 9,664</u>
--	-----------------

**J: COMPENSATION PAID TO MAYOR AND BOARD MEMBERS**

In compliance with House Concurrent Resolution No 54 of the 1979 Session of the Louisiana Legislature, amounts paid to the Mayor and members of the Board of Aldermen for compensation are as follows:

Craig McGehee, Mayor	\$ -
<u>Board of Aldermen</u>	
Roy Winston, Jr.	-
Vince Deliberto	-
Jery "JJ" Barnum, Jr.	-
Paul Canik	-
Gillis Windham (past mayor)	-
Peter W. Bock	-
	<u>\$ -</u>

On September 30, 2006, the voters of the Town approved making its police chief an appointed rather than elected office.

**K: ON BEHALF PAYMENTS BY STATE OF LOUISISNA**

For the year ended June 30, 2013, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's police chief. In accordance with GASB 24, the Town has recorded \$11,050 of on behalf payments as revenue and as expense in the General Fund.

**L: RISK MANAGEMENT**

The Town of Killian is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchases of commercial insurance.

**M: FUND BALANCE**

The Town of Killian General Fund had a total fund balance of \$23,303 as of June 30, 2013.

The Governmental Activities also had an unrestricted net position of \$23,303 at June 30, 2013.

**N:     SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 1, 2014, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**TOWN OF KILLIAN**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**

*Year ended June 30, 2013*

*(See Independent Accountant's Review Report)*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (inflows):				
Taxes	\$ 147,200	\$ 149,000	\$ 157,709	\$ 8,709
Licenses and permits	11,500	10,600	19,690	9,090
Intergovernmental	23,400	24,000	22,554	(1,446)
Services	-	250	30	(220)
Fines and forfeitures	74,000	60,000	58,136	(1,864)
Donations	15,300	10,000	9,313	(687)
Miscellaneous	900	6,915	608	(6,307)
On-behalf payments	-	12,000	11,050	(950)
Total revenue	<u>272,300</u>	<u>272,765</u>	<u>279,090</u>	<u>6,325</u>
Expenditures (outflows):				
Current:				
General government	89,755	112,050	103,944	8,106
Streets	600	3,000	2,615	385
Public safety - police	181,861	144,550	138,693	5,857
Total expenditures	<u>272,216</u>	<u>259,600</u>	<u>245,252</u>	<u>14,348</u>
Excess of revenues over expenditures	<u>84</u>	<u>13,165</u>	<u>33,838</u>	<u>20,673</u>
Other financing sources - sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>84</u>	<u>13,165</u>	<u>33,838</u>	<u>20,673</u>
Fund balance (deficit) - beginning	<u>(10,535)</u>	<u>(10,535)</u>	<u>(10,535)</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ (10,451)</u>	<u>\$ 2,630</u>	<u>\$ 23,303</u>	<u>\$ 20,673</u>

## **AGREED UPON PROCEDURES**

## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Honorable Mayor Craig McGehee  
and Members of the Board of Aldermen  
Town of Killian, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Town of Killian and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Town of Killian's compliance with certain laws and regulations during the year then ended June 30, 2013, included in the accompanying Louisiana Attestation Questionnaire. Management of the Town of Killian is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### *Public Bid Law*

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with R.S. 38:2211-2296 (the public bid law) or R.S. 39:1551-39:1775 (the state procurement code), whichever is applicable.

The Town of Killian did not have any expenditure for materials and supplies exceeding \$30,000 or public works exceeding \$150,000.

### *Code of Ethics for Public Officials and Public Employees*

2. Obtain from management a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

Town of Killan  
Independent Accountant's Report  
on Applying Agreed Upon Procedures (Continued)

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon Procedure 3 were also included on the listing obtained from management in agreed-upon Procedure 2 as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon Procedure 3 appeared on the list provided by management in agreed-upon Procedure 2.

*Budgeting*

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There were two amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on July 10, 2012, which indicated that the budget had been adopted by the Board of Aldermen of Town of Killian. Two amendments were made to the budget during the year and approved on September 11, 2012 and June 11, 2013, respectively.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more, or if actual expenditures exceed budgeted amounts by 5% or more (For agencies that must comply with the Licensing Agency Budget Act only, compare the expenditures of the final budget to actual expenditures to determine if actual expenditures exceed budgeted amounts by 10% or more per category or 5% or more in total).

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues did exceed budgeted revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

*Accounting and Reporting*

8. Randomly select six disbursements made during the period under examination and:

- (a) Trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

Town of Killian  
Independent Accountant's Report  
on Applying Agreed Upon Procedures (Continued)

- (b) Determine if payments were properly coded to the correct fund and general ledger account;

All of the payments were properly coded to the correct fund and general ledger account.

- (c) Determine whether payments received approval from proper authorities.

The supporting documentation for all six disbursements contained the Mayor's approval.

*Meetings*

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:11 through 42:28 (the open meetings law).

Town of Killian is only required to post a notice of each meeting and the accompanying agenda on the door of the Town Hall no later than 24 hours prior to the meeting. We examined documentation that such notices were posted.

*Debt*

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

*Advances and Bonuses*

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees that may constitute bonuses, advance, or gifts.

A reading of the minutes of the Town of Killian for the year indicated no approval for the payments which may constitute bonuses, advances, or gifts. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

Town of Killan  
Independent Accountant's Report  
on Applying Agreed Upon Procedures (Continued)

*Prior Comments and Recommendations*

12. Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

See the summary of prior year findings on page 37 of the Town's Annual Financial Report.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Town of Killian and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*L.A. Champagne & Co. L.L.P.*

*February 1, 2014*

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Government)**

12-10-13 (Date Transmitted)

L.A. Champagne & Co., LLP  
4911 Bennington Avenue  
Baton Rouge, LA 70808

In connection with your review of our financial statements as of June 30, 2013 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of 12-10-13 (date of completion/representations).

**Public Bid Law**

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes ☒ No ☐

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes ☒ No ☐

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes ☒ No ☐

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes ☒ No ☐

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes ☒ No ☐

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes ☒ No ☐

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes ☒ No ☐**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

Rami Harkcom Clerk

12-10-13 Date

Cory M. [Signature] Mayor

12/10/13 Date

**TOWN OF KILLIAN**  
**SUMMARY OF SCHEDULE OF CURRENT YEAR FINDINGS**  
*Year Ended June 30, 2013*

**FINDINGS RELATED TO CURRENT YEAR STANDARD AGREED UPON  
PROCEDURES**

None

**FINDINGS RELATED TO INTERNAL CONTROL MATTERS IDENTIFIED IN PRIOR  
YEARS**

2013-1      Internal Control over Financial Reporting

*Condition:* The Town's management is responsible for establishing, and maintaining adequate internal controls over financial reporting and the custody of assets. We observed during our review that the following previously reported deficiencies continue without substantial resolution.

“There is not adequate segregation of duties involved in the recording, processing, and summarizing of the Town's financial data.” In addition controls related to Town assets are inadequate because custody and record keeping duties are not adequately segregated.

The Town clerk performs virtually all functions or has significant control over incompatible activities relating to billing and collections and procurement and payments.

*Effect:* Possible misappropriation of assets could occur when there is not proper segregation of duties over custody and record keeping. In addition, intentional or unintentional errors may occur in the financial reports provided to the Board of Aldermen which could impact the Board's management of Town resources.

*Criteria:* One of the basic elements of internal control is separation of incompatible accounting duties to the extent possible considering the size of the organization and the complexity of its accounting.

The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction or process.

*Recommendation:* Although the small size of the Town's staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties and provide some basic checks and balances, including oversight and review.

Using a contract accountant on a part-time basis to assist the Town Clerk with the accounting and bookkeeping duties would provide some needed segregation of incompatible duties.

*Management Response:* Management acknowledges the condition as described above and will attempt to develop and implement procedures to provide a greater separation of incompatible duties and provide more oversight over financial reporting.

## 2013-2      Accounting for Property Taxes

*Condition:* The Livingston Parish Assessor prepares the annual tax roll for the Town. The Town's Accountant then prepares invoices in QuickBooks to account for the property tax receivables and collections. The total of the invoices are matched to the total of the property tax roll. However, differences in the totals were not identified and resolved.

*Effect:* Unless a reconciled total of property tax billings is established when the bills are issued, there will be no reliable control over collections that will provide reasonable assurance that all bills are paid, delinquencies monitored and properties with unpaid taxes identified for sheriff sale.

*Criteria:* An adequate system of internal control over property tax revenue and receivables requires a complete reconciliation of the amount billed to the tax roll prior to issuance of tax bills.

*Recommendation:* Written procedures should be adopted and followed that include the reconciliation of property tax invoices to the annual tax roll and tracking of collections and unpaid taxes.

*Management Response:* Management acknowledges the condition as described above.

## 2013-3      Accounting for Water Charges

*Condition:* The total of customer balances, as reported in the subsidiary utility billing system has not been reconciled to the general ledger control account. Also, finance charges are not imposed on non-paying customers. Water revenue continues to be insufficient to cover the operating expenses of the water department. For fiscal year ended June 30, 2013, the utility system's operating loss was \$32,691.

Also customer utility deposits are not collected on a consistent basis. The deposits are not properly accounted for, in that a list of deposits by customers is not maintained and reconciled to the deposit liability balance recorded in the Town's general ledger. The Town has 290 water customers and a customer deposit liability of only \$800 reflected in the general ledger.

*Effect:* Water sales and customer receivables and utility deposits are not accurately reported in the Town's general ledger. Utility deposits cannot be identified to specific customers.

*Criteria:* An adequate system of internal control over water sales and receivables requires the monthly reconciliation of the subsidiary receivable ledger to the general ledger control account. Collection efforts for delinquent water customers should include the imposition of finance charges and discontinuance of service. Town Ordinance #184-11, effective February 8, 2011, states that the customer will be charged a 10% late fee for each past due water bill. The 10% late fee is not being assessed.

*Recommendation:* The QuickBooks receivable control account must be reconciled to the end of the month customer's balance, as reported in the subsidiary utility billing system. The Town should assess the 10% late fee as required by Ordinance.

*Management Response:* Management acknowledges the condition as described above.

## **FINDINGS RELATED TO COMPLIANCE MATTERS IDENTIFIED IN THE CURRENT YEAR**

### **2013-4      Engagement Completion and Submission**

*Condition:* The Town of Killian engaged new accountants in November of 2013 for the June 30, 2013 review, which was required to be submitted to the Louisiana Legislative Auditors by December 31, 2013, the submission date.

*Effect:* According to the Legislative Auditor of the State of Louisiana, failure to comply with the six month statutory submission of the financial reports is a reportable material instance of noncompliance with state law.

*Criteria:* L.R.S. 24:513 provides that the financial statements are to be filed with the Legislative Auditor within six months of the close of the fiscal year.

*Auditor's Recommendation:* Management should engage the CPA firm to allow sufficient time for all procedures and work to be completed by the six month statutory submission deadline as required.

*Management Response:* In the future, management and the board of aldermen will engage the CPA firm in a timely fashion to allow for submission to the Legislative Auditor by the statutory submission deadline.

**MAYOR**  
**Craig McGehee**

**TOWN OF KILLIAN**  
**Livingston Parish, Louisiana**  
**Post Office Box 546**  
**Springfield, La. 70462**  
**Telephone: 225-695-6785**  
**Fax: 225-695-3365**  
**Email:killiantownhall@eatel.net**

**ALDERMAN**  
**Roy Winston Jr**  
**Vincent Deliberto**  
**Jerry Barnum**  
**Gillis Windham**  
**Paul Canik**

February 1, 2014

The Town of Killian respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and Address of independent public accounting firm:

L.A. Champagne & Co., L.L.P.  
4911 Bennington Avenue  
Baton Rouge, LA 70808

Review period: fiscal year ended June 30, 2013

The findings from the fiscal year ended June 30, 2013 schedule of findings are discussed below. The findings are numbered consistently with the number assigned to the schedule.

#### **FINDINGS - FINANCIAL STATEMENTS REVIEW**

##### **2013-1 Internal Control over Financial Reporting**

Condition: The Town's management is responsible for establishing, and maintaining adequate internal controls over financial reporting and the custody of assets. We observed during our review that the following previously reported deficiencies continue without substantial resolution.

"There is not an adequate segregation of duties involved in the recording, processing, and summarizing of the Town's financial data." In addition controls related to Town assets are inadequate because custody and record keeping duties are not adequately segregated.

The Town clerk performs virtually all functions or has significant control over incompatible activities relating to billing and collections and procurement and payments.

Management Response: Management acknowledges the condition as described above and will attempt to develop and implement procedures to provide a greater separation of incompatible duties and provide more oversight.

##### **2013-2 Accounting for Property Taxes**

Condition: The Livingston Parish Assessor prepares the annual tax roll for the Town. The Town's Accountant then prepares invoices in QuickBooks to account for the property tax receivables and collections. The total of the invoices are matched to the total of the property tax roll. However, differences in the totals were not identified and resolved.

Management Response: Management concurs with recommendation.

##### **2013-3 Accounting for Water Charges**

Condition: The total of customer balances, as reported in the subsidiary utility billing system has not been reconciled to the general ledger control account. Also, finance charges are not imposed on non-paying customers. Water revenue continues to be insufficient to cover the operating expenses of the water department. For fiscal year ended June 30, 2013, the operating loss incurred was \$32,691.

Management Response: Management concurs with recommendation.

2013-4      Engagement Completion and Submission

Condition: The Town of Killian engaged new accountants in November of 2013 for the June 30, 2013 review, which was required to be submitted to the Louisiana Legislative Auditors by December 31, 2013 the submission date.

Management Response: In the future, management and the board of aldermen will engage the CPA firm in a timely fashion to allow for submission to the Legislative Auditor by the statutory submission deadline.

If there are any questions regarding this plan, please call me at 225-695-6785.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Craig McGehee", with a long horizontal flourish extending to the right.

Craig McGehee, Mayor  
Town of Killian

**TOWN OF KILLIAN**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
*Year Ended June 30, 2013*

**FINDINGS RELATED TO PRIOR YEAR STANDARD AGREED UPON PROCEDURES**

2012-4      Local Government Budget Act – total expenditures exceeded the budgeted expenditures by 5.48%

The total expenditures of the General Fund did not exceed the budgeted expenditures for the fiscal year ended June 30, 2013.

**FINDINGS RELATED TO INTERNAL CONTROL MATTERS IDENTIFIED IN THE PRIOR YEAR**

2012-1      Internal Control over Financial Reporting  
  
                 Repeated in current year findings as item 2013-1

2012-2      Accounting for Property Taxes  
  
                 Repeated in current year findings as item 2013-2

2012-3      Accounting for Water Charges  
  
                 Repeated in current year findings as item 2013-3

**FINDINGS RELATED TO JUNE 30, 2012 SPECIAL AGREED UPON PROCEDURES**

The Town of Killian provided us with a copy of a letter dated June 4, 2013, (the Response Letter) signed by then Mayor Gillis Windham. This letter details management's responses to the findings reported in the June 30, 2012 special agreed upon procedure report dated December 28, 2012 (the Report), mandated by the Louisiana Legislative Auditor and conducted by Lee Gray, CPA.

The Response Letter, in addressing the various report findings, states that "We", meaning the Town, abides by its "Personnel Policy and Ordinances #140" (adopted June 27, 2003), cited sections of the Lawrason Act and cited chapters of the Louisiana Municipal Association Handbook. We find the Response Letter is, in fact, simply a response to the findings and does not, in any way, constitute a meaningful corrective action plan. We found no evidence a corrective action plan was developed or implemented and, in general, there is no indication that any significant corrective activities were undertaken.

We have summarized the findings from the Report, responses contained in the Response Letter and our observations on the current status of those findings.

## **Financial Management**

FM – 1            Monthly financial reports are not prepared on the accrual basis of accounting.

The Town Clerk continues to provide the Mayor and the Board of Aldermen with monthly financial reports and budget to actual comparisons. Although these statements and reports are prepared on the cash basis, they appear to be sufficient for the management needs of the Board of Aldermen.

FM – 2            There is no formal written plan to eliminate the Town's deficit spending.

The Response Letter states that the Town will abide by a policy to "correct our financial position by performing an overview of the financial efficiency of all operations and target those areas that are variable expenses or revenue sources. Then necessary adjustments are made to increase revenue and decrease expenses. If measures that are more drastic are required, we will reduce services to the town by reducing work force as well as liquidate movable assets."

We were unable to find any evidence, other than the above response, that a formal plan had been written, discussed and or adopted. However, the Town did not report a deficit for the year ended June 30, 2013.

FM – 3            The town does not have written policies and procedures for financial and business functions.

The Response Letter states that "We abide by Policy and Procedures Ordinance #140, the Lawrason Act Ch. 2, subparts F, G, and H, and the Louisiana Municipal Association Handbook Ch. 7 which covers municipal government budgeting, in debtless, audit requirements and fiscal agents and Ch. 18 municipal accounting, fiscal accounting and reporting."

We find that the cited Ordinance 140 does not address financial functions and operations such as budgeting, purchasing and procurement, accounting for disbursements and receipts, etc. The Response Letter states the Town abides by the cited chapters of the Municipal Association Handbook. However, we found no indication that the cited policies and procedures were adopted and no indication in general that they were implemented or followed to any significant degree.

## **Credit Cards**

CC – 2            There are no written policies and procedures for the use of credit cards. Original receipts for purchases were not available for items appearing on the credit card statement.

The Response Letter states that “We abide by Policy and Procedures Ordinance #140, Section 16 and the Louisiana Municipal Association Handbook Ch. 15 Travel and Expense reimbursement.” In addition, the letter stated that “Each credit card purchase will require an itemized receipt or attached statement that identifies item or service purchased and the purchaser. The mayor will review all reimbursement expenses and must approve the request for reimbursement. Any expenses that are deemed to be in excess of the norm in the area in which the expense was originated shall negate or reduce reimbursement to the norm for such an expense. A credit card holder must have approval by the Mayor to have possession and use of a credit card.”

We find that the cited Ordinance 140, Section 16 addresses reimbursement of travel costs but not the use of Town credit cards. The Response Letter states the Town abides by the cited chapter of the Municipal Association Handbook. However, we found no indication that the cited policies and procedures were adopted and no indication in general that they were implemented or followed to any significant degree.

We requested credit card statements for nine of the credit cards used by Town personnel for the months of August and September of 2013. Of the eighteen statements requested only six account statements were provided. Of the six statements reviewed, supporting documentation was provided only for the charges on three of the account statements. There were no indications of requested payment approval for any of the account statements tested.

We find that payments on credit card accounts continue to lack proper approvals and supporting documentation.

### **Travel and Expense Reimbursement**

TER – 1, 2A The Town’s policy for travel and expense reimbursement does not address dollar thresholds by category of expense. Three tested travel expense reports were not signed by the Mayor in the appropriate area of the form, but his approval signature did appear on the reimbursement check stub

The Response Letter states that “We abide by Policy and Procedures Ordinance #140, Section 16 and the Louisiana Municipal Association Handbook Ch. 15 Travel and Expense reimbursement.” In addition, the letter stated that “Travel and expense that is outside of the normal daily operation must first be approved by the Mayor and the thresholds for the expense reimbursement will be dictated by the Mayor and kept in line with the norm for the area where the expense will occur.”

We find that the cited Ordinance 140, Section 16 adequately addresses

reimbursement of travel although thresholds by expense category are not cited. The Response Letter states the Town abides by the cited chapter of the Municipal Association Handbook, but we found no indication that the cited policies and procedures were adopted. However, policies in Section 16 of Ordinance 140 appear to be adequate. We did not examine any additional travel reimbursements.

## **Contracts**

C – 1        The Town does not have any written policies and procedures with regards to contracts. The Town Clerk is the sole employee responsible for control and oversight of contracts.

The Response Letter states that “We abide by the Lawrason Act, Section 404-the Duties of the Mayor and the Louisiana Municipal Association Handbook page 21, Appropriations.” In addition, the letter stated that “All contracts and contracting is approved by the mayor in conjunction with a majority vote of the Board of Aldermen.”

We find that the Town does not have definitive policies and procedures for contracts / contracting. However the Report did not disclose any exceptions to the procedures performed. We did not perform any additional procedures on contracts in the year ended June 30, 2013.

## **Payroll and Personnel**

PP – 1, 3, 4    The town’s written policies and procedures do not address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked. Exceptions noted in tests performed include lack of documentation of daily attendance, lack of supervisor approval of time, attendance and leave and that leave records are not properly maintained.

The Response Letter states that “We abide by Policy and Procedures Ordinance #140, and the Louisiana Municipal Association Handbook Ch. 15 on Personnel Policy and Chapter 16 Employment provisions in Federal and State Laws,” In addition, the letter stated that “All payroll records are reviewed by the appropriate department head for approval, then by the town clerk for correctness and then reviewed by the Mayor who substantiates that proper reviews were performed before he approves the payment with evidence of his signature or initial on pay voucher.”

We find that the cited Ordinance 140 does not address payroll processing or employment recordkeeping such as maintenance of employee leave records, etc.

The Response Letter states the Town abides by the cited chapters of the Municipal Association Handbook. However, we found no indication that the cited policies and procedures were adopted and no indication in general that they were implemented or followed to any significant degree.

We tested payrolls and employment records for two pay periods in August 2013, as follows:

We requested the payroll register, timesheets, leave records, supervisor approvals, and overtime reports supporting the payrolls.

There were four employees on each of the payrolls selected for testing. There were no approvals or leave records for any of the individuals tested and time sheets, and overtime reports were available for only two of eight individuals tested.